



CBA PRACTICE NOTE

Designing a faster month-end close

A method for shortening the month-end close by redesigning it rather than rushing it: mapping the work, moving it before period-end, setting materiality in advance and protecting the review.

First edition

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About this note

This note sets out a method for shortening and stabilising the monthly close. It applies the financial close, control and reporting domains of the CBA standards for accounting management and for IFRS reporting. It is written for the financial controller or accounting manager responsible for the close.

A working template accompanies the note: a close calendar and task tracker with owners, dependencies, due days and status.

The note concerns management reporting. The year-end close and the preparation of statutory financial statements involve further steps and standards — including the treatment of events after the reporting period under IAS 10 — that are outside its scope.

1. Map the current close

Before changing anything, record how the close actually runs. For each task, note:

- what it is and what it produces;
- who performs it and who reviews it;
- which other tasks it depends on, and which depend on it;
- the working day on which it starts and finishes;
- how long it takes, and how much of that time is spent waiting.

The map usually reveals three things: a small number of tasks that sit on the critical path and determine the length of the close; a large amount of waiting, for information from outside finance or for approvals; and work that is repeated every month because its cause has never been fixed.

2. Move work out of the close

The most effective way to shorten the close is to do less in it. Work that does not depend on the period having ended can be done before it:

- **Continuous reconciliation.** Reconcile bank and key balance sheet accounts weekly, so that only the final days of activity remain at month-end.
- **Intercompany cut-off.** Set a date, a few working days before month-end, after which no intercompany charges are raised for the period, and agree balances with counterparties before the period closes.
- **Recurring journals from schedules.** Prepare depreciation, prepayment releases and standard accruals from maintained schedules in advance, so that at close they need review rather than construction.
- **Pre-close review.** Review the ledger for obvious errors and unusual entries in the last week of the month rather than after it ends.

3. Set materiality in advance

Much close time goes on chasing precision that changes no decision: holding an accrual open for an invoice, or investigating a small difference to the last unit. Set, document and approve a materiality policy for management reporting before the close begins. Below the stated threshold,

estimates are made from the best available information and the close proceeds.

The policy should state the thresholds, who may apply them and how estimates are documented, and it should be reviewed when the business changes. Applied consistently, it turns estimation from a shortcut taken under pressure into a controlled decision.

4. Build the close calendar

Lay out every task against working days, from a few days before period-end to the day the management accounts are issued. Mark the dependencies, and identify the critical path: the longest chain of dependent tasks. That chain is the length of the close.

Shortening the close means shortening the critical path. Effort spent speeding up tasks that are not on it will not bring the close date forward. Typical ways to shorten it are to start tasks earlier, to remove waiting by agreeing information deadlines with other functions, and to split long tasks so that parts can run in parallel.

Publish the calendar to everyone involved, inside and outside finance, with each person's deadlines.

5. Standardise reconciliation and review

Every balance sheet account should have an owner, a reconciliation frequency based on its risk, and a standard format that shows:

- the ledger balance, agreed to the trial balance;
- the balance from an independent source, with the evidence attached;
- each reconciling item, identified, explained and dated;
- the preparer, the reviewer and the dates of each.

Set ageing thresholds for reconciling items, with escalation for items that remain unresolved beyond them. The review is the control: it should be performed by someone other than the preparer, with enough knowledge to challenge an explanation.

6. Control manual journals

Manual journals carry a disproportionate share of errors. Require approval by someone other than the preparer above an agreed threshold, with supporting evidence attached, and enforce it in the system where possible. Classify journals by risk — recurring, standard, non-standard — and review the highest-risk ones individually. Periodically review the population of journals for unusual characteristics: late postings, round amounts, rarely used accounts.

7. Produce the pack

Standardise the management accounts pack so that it can be produced from the ledger with as little manual work as possible. Agree its content with its readers, and resist additions that nobody uses. Include a short commentary explaining the main movements against budget and forecast.

8. Measure and improve

Track a few measures every month:

- the number of working days to issue the management accounts;
- the number and value of adjustments made after the close;
- the number of reconciliations completed and reviewed on time;
- the number of manual journals, and the number rejected at review.

Hold a short review after each close to identify the tasks that ran late and why. Fix causes, not symptoms: a correction that is needed every month points to a process upstream that should change.

Common pitfalls

- **Treating the close as a speed target.** A close shortened by squeezing the review moves errors into the next period.
- **Improving tasks off the critical path.** Effort is spent, and the close date does not move.
- **Unresolved reconciling items.** Items roll forward for months until they become a write-off nobody can explain.
- **Depending on information from outside finance without agreed deadlines.** The close waits for it.

Checklist

- ☐ The current close is mapped, with owners, dependencies and durations.
- ☐ Continuous reconciliation, intercompany cut-off and recurring journals move work before period-end.
- ☐ A materiality policy for the close is documented and approved.
- ☐ The close calendar shows the critical path and is published to everyone involved.
- ☐ Every balance sheet account has an owner and a standard reconciliation with independent review.
- ☐ Manual journals are approved by someone other than the preparer.
- ☐ Close measures are tracked and reviewed after every close.

Related

- Accounting Manager: CBA Standard, version 8.1 — cba-uk.com/standards/accounting-manager
- IFRS Specialist: CBA Standard, version 7.3 — cba-uk.com/standards/ifrs

Template: Month-end close calendar — cba-uk.com/toolkits

Using this publication

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